

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2009

**Title: Abbey Wood and South Thamesmead Housing Zone (LB Bexley) and Abbey Wood, South Thamesmead and Plumstead Housing Zone (RB Greenwich) - Thamesmead**

### Executive Summary:

This Director's Decision signs off due diligence undertaken in respect of the proposed interventions that the GLA proposes to fund in the Thamesmead Housing Zones in LB Bexley and RB Greenwich and agrees that it is appropriate for the GLA to enter into an Affordable Housing Grant Agreement with Peabody Trust for the purpose of drawing grant funding amounting to £47,556,893 in relation to the Thamesmead Housing Zones in LB Bexley and RB Greenwich.

### Decision:

That the Executive Director of Housing and Land and the Executive Director Resources, in consultation with the Deputy Mayor for Housing:

- Confirms that the outcomes of the financial and legal due diligence are satisfactory
- Approves contractual commitment of an affordable housing grant of £47,556,893 to fund the interventions specified below within the Abbey Wood and South Thamesmead Housing Zone in the London Borough of Bexley and the Abbey Wood, South Thamesmead and Plumstead Housing Zone in the Royal Borough of Greenwich that have been subject to finance and legal due diligence;
- Approves transfer an existing Peabody Trust grant allocation of £9,226,893 from the Building the Pipeline programme to the Housing Zones programme for the purposes of including this allocation in the above funding commitment;
- Approves a change in the boundary of the Housing Zone in the Royal Borough of Greenwich to include Pettman Crescent as per the appendix;
- agrees the revised site details and re-profiled completion dates for the delivery of housing completions;
- notes the deduction of £12,775,000 (RB Greenwich) and £25,555,000 (LB Bexley) from the grant budget for Housing Zones for the interventions specified below.

### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

**Name:** David Lunts

**Signature:** 

**Position:** Executive Director Housing and Land

**Date:**

27. 7. 2016

**Name:** Martin Clarke

**Signature:** 

**Position:** Executive Director Resources

**Date:**

26. 7. 16

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The Abbey Wood and South Thamesmead Housing Zone (LB Bexley) and Abbey Wood, South Thamesmead and Plumstead Housing Zone (RB Greenwich) proposals were designated Housing Zones by MD1457, where affordable housing grant funding of £47,556,893 (£34,781,893 in LB Bexley and £12,775,000 in RB Greenwich) was indicatively allocated to these Housing Zones (subject to the outcome of due diligence) to unlock housing and deliver wider regeneration to the area.
- 1.2 Peabody Trust (Peabody) will deliver the outputs as set out in this Decision. LB Bexley and RB Greenwich will retain oversight of delivery across the Housing Zone by implementing governance arrangements outlined in the Memorandum of Understanding (MOU) with the Greater London Authority (GLA) and Peabody dated 19 May 2016. The MOU sets out the roles, responsibilities and functions of LB Bexley, RB Greenwich and Peabody Trust.
- 1.3 Legal and Financial due diligence has now been undertaken in respect of the proposed affordable housing interventions within the two Housing Zones, the conclusion of which is set out below.
- 1.4 The MD 1457 also included an “in principle” allocation of funding for Peabody Trust to enter into a £23.9m Financial Transaction (FT) agreement for both zones to deliver open market housing for rent and sale, subject to detailed due diligence by financial and legal advisers and by external property consultants. However Peabody have opted not to take up the FT. In the Housing Investment Group paper that approved the two HZs, subject to the MD, the following information was required which is now no longer applicable as the FT is not being taken up.
  - Detailed financial, legal and delivery due diligence in respect of the FT
  - Agreement on the structure of loan funding to Peabody
  - Thamesmead Investor Prospectus approved by GLA and Boroughs

The other conditions were:

- agreement on payment structure for enabling grant
- agreement of a clear road map for programme delivery
- formal agreement between Greenwich, Bexley and Peabody on roles, responsibilities and functions
- formal agreement between Greenwich and Peabody; and Bexley and Peabody, on the arrangements needed to secure the additional infrastructure contributions.

Sections 1.11, 1.19 and terms agreed in the Memorandum of Understanding show that these conditions have now been met.

#### Summary

- 1.5 Peabody requires GLA investment in the form of affordable housing grant in accordance with the Housing and Regeneration Act 2008 to deliver a total of 1,272 affordable homes across both Housing Zones by 31 December 2024. The terms of the investment for these interventions will be set out in a single Affordable Housing Grant Agreement (AHGA) between the GLA and Peabody. In addition to these homes, it is also expected that Peabody will deliver 1,403 homes for market sale or market rent (not funded under the AHGA) across both Boroughs.
- 1.6 Peabody Trust has significant land holdings at Thamesmead and is undertaking a long term regeneration of the area. GLA intervention will accelerate the delivery of new homes.

- 1.7 The proposed grant funding improves the viability of the project based on evidence provided by Peabody Trust in financial appraisals provided to and assessed by the GLA.

Proposition

- 1.8 The project will deliver a mixed use area regeneration of Thamesmead accelerating the delivery of a minimum of 1,216 new homes in LB Bexley and a minimum of 1,459 new homes in RB Greenwich. This includes affordable homes and homes for market sale or rent (with GLA providing funding for the affordable element). The contracted position, as set out within the AHGA in relation to the delivery profile of homes and expected tenure apportionment is as follows:

	<b>Bexley</b>	<b>Greenwich</b>	<b>Total</b>
Social/Affordable Rent	328	379	707
Rent to Save/Shared Ownership/Equity Loan	263	302	565
	<b>591</b>	<b>681</b>	<b>1,272</b>

- 1.9 It should be noted however that the above tenure apportionment may change and tenure will only become fixed for each scheme once the GLA has accepted that scheme on its on-line investment management system prior to start on site. Peabody must however deliver a minimum of 207 social/affordable rent dwellings (35% of the 591 new affordable dwellings) in LB Bexley and 170 social/affordable rent dwellings (25% of the 681 new affordable units) in RB Greenwich.

Funding

- 1.10 Consistent with MD 1457, due diligence for these Housing Zone interventions confirmed the need for Housing Zone grant amounting to £25,550,000 for the LB Bexley Housing Zone and £12,775,000 for the RB Greenwich Housing Zone. In addition, £9,226,893 of Building the Pipeline programme funding is to be transferred to the Housing Zones programme to fund these interventions as part of this DD. This is an existing Peabody allocation within LB Bexley and MD1457 notes the intention to combine this allocation with the proposed Housing Zones grant allocation for Thamesmead. The grant rates payable per affordable dwelling are £58,853 for LB Bexley and £18,759 for RB Greenwich. Grant is provided on the basis of a flat rate per affordable home by Borough consistent with these figures. A value for money assessment was carried out on these grant levels. As an average grant rate across the two boroughs they are consistent with grant awarded for the Mayor's Housing Covenant 2015-18 programme and continuous bidding assessed by the Housing & Land Programme Change Group for the tenure mix proposed. They offer particularly good value for the anticipated proportion of rented units which will be let at target rents for decant purposes.
- 1.11 GLA has worked with the Peabody Trust to agree a payment structure for the affordable housing grant. Up to 75% of GLA grant funding for any potential scheme may be drawn down by Peabody at "pre start on site" on meeting certain criteria. These include: a contract for land acquisition, commencement of a decanting programme/buy back of existing residents' accommodation or the signing of a material pre-start contract. The effect of providing up to 75% of grant at pre-start is to improve scheme viability. The remaining 25% of GLA grant funding can be drawn down at practical completion of a scheme.
- 1.12 The AHGA also acknowledges that Peabody may be able to use recycled capital grant funding (RCGF) on top of the proposed grant allocation if the scheme were to become unviable, including using RCGF which is older than 3 years if required to ensure deliverability. Use of RCGF is therefore not expected in the short term but may be able to address future risks linked to market factors, and will require GLA approval and be subject to the requirements of the GLA's Capital Funding Guide. For the avoidance of doubt, this DD does not authorise or seek approval for the use of RCGF in either of the Housing Zones that are the subject of this DD. In other words, the use of RCGF in

either of the Thamesmead Housing Zones in the future would be subject to the change control process as set out in DD1485.

#### Appraisal

- 1.13 Project due diligence was undertaken by officers within the Housing and Land Directorate applying the methodology used to assess affordable housing bids submitted to the GLA for funding via the Mayor's Housing Covenant 2015-18 Programme. This includes an assessment of value for money, strategic fit with GLA priorities and review of deliverability.

#### Value for Money

- 1.14 The value for money assessment takes into account the grant rate proposed for the project and judges this against the total scheme costs. On the basis of the assessment carried out the project is deemed to represent good value for money.

The grant rate for LB Bexley is a rate of £58,853 per affordable home. The grant rate for RB Greenwich is a rate of £18,759 per affordable home. As a blended rate across both Housing Zones, the grant rate is £37,387.

- 1.15 In order to assist with the viability of the project it has been agreed that Peabody will be permitted to convert up to 600 of their social rented homes to affordable rent, shared ownership, equity loan or market sale, generating conversion capacity to the project to a value of £8,296,000. This is not an additional GLA grant allocation but is part of Peabody's own internal resources.

#### Strategic Fit

- 1.16 The two Thamesmead Housing Zones will contribute towards the implementation of the Mayor's policies, as set out in the Mayor's London Housing Strategy, where the overarching aim is to increase housing supply. The provision of housing, including maximising affordable housing delivery, is also prescribed in the Further Alteration to the London Plan March 2015 (see section 3 below for further comments).
- 1.17 The Housing Zones programme aims to increase housing supply by accelerating and unlocking housing development to deliver over 73,000 homes across 31 Housing Zones by 2026. The interventions proposed in this report will help to accelerate delivery of the sites that require significant upfront investment to facilitate much needed development in the Boroughs. The Housing Zone parameters have jump-started Peabody's work to develop the sites. The Thamesmead Housing Zones will therefore contribute directly towards the Housing Zones programme objective as well as support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.

#### Deliverability

- 1.18 The interventions are deemed to be deliverable consistent with the project milestones set out below. The project comprises a minimum of twelve sites across both Housing Zones. Progress on LB Bexley sites is more advanced such that of five sites across three phases, two are cleared with planning consent in place. Land acquisition is required for later phases but both Peabody Trust and LB Bexley have significant land holdings in these later phases. The RB Greenwich element of the project currently comprises seven sites which fall within an area identified in the Borough's Core Strategy (2014) or principal development control policy document as a priority area for regeneration.

#### Project Milestones

- 1.19 The current proposed phasing envisages the following in terms of affordable starts and completions across the programme. These are shown as combined across both Boroughs:

<b><u>Boroughs combined</u></b>	<b><u>Starts</u></b>	<b><u>Completions</u></b>
By March 2018	255	0
By March 2019	213	55
By March 2020	222	157
By March 2021	169	121
By December 2024	413	939
<b><u>Totals</u></b>	<b>1,272</b>	<b>1,272</b>

- 1.20 These output targets are broken down by Boroughs and sites in the following way. These tables set out the total expected housing outputs across the two Housing Zones including indirect market units which the GLA is not funding and therefore not contractually binding, but the AHGA will only cover the affordable (direct) units

1.21 **LB Bexley:**

<b>Site / intervention</b>	<b>All tenures</b>		<b>Affordable only</b>	
	<b>2015-2018</b>	<b>2019 +</b>	<b>2015-2018</b>	<b>2019 +</b>
<b>TOTAL</b>	<b>0</b> (351 starts)	<b>1,216</b> (295 starts and 157 completions by March 2020)	<b>0</b> (200 starts)	<b>591</b> (133 starts and 157 completions by March 2020)

<b>Site / intervention</b>	<b>All tenures (indirect)</b>		<b>Affordable only (Direct)</b>		<b>Direct / Indirect link with GLA funding</b>
	<b>2015-2018</b>	<b>2019 +</b>	<b>2015-2018</b>	<b>2019 +</b>	
<b>Phase 1:</b> Southmere Village & Yarnton Way	0 (351 starts)	351	0 (200 starts)	200	Affordable units-direct Others - indirect
<b>Phase 2:</b> 500 Abbey Way, Coraline Walk & Sedgemere Road	0	725	0	328	Affordable units-direct Others - indirect
<b>Phase 3:</b> Binsey Walk North	0	140	0	63	Affordable units-direct Others - indirect
<b>TOTAL</b>	<b>0</b>	<b>1,216</b>	<b>0</b>	<b>591</b>	

## 1.22 RB Greenwich

Site / intervention	All tenures		Affordable only	
	2015-2018	2019 +	2015-2018	2019 +
<b>TOTAL</b>	<b>0</b> (70 starts)	<b>1,459</b> (669 starts and 70 completions by March 2020)	<b>0</b> (55 starts)	<b>681</b> (302 starts and 55 completions by March 2020)

Site / intervention	All tenures		Affordable only		Direct / Indirect link with GLA funding
	2015-2018	2019 +	2015-2018	2019 +	
Phase 1: Titmus Avenue, The Reach & Griffin Manor way East	0 (70 starts)	509	0 (55 starts)	250	Affordable units-direct Others - indirect
Phase 2: Pettman Crescent & Cross Quarter North	0	350	0	161	Affordable units-direct Others - indirect
Phase 3: Broadwater Dock & Lyndean Estate	0	600	0	270	Affordable units-direct Others - indirect
<b>TOTAL</b>	<b>0</b>	<b>1,459</b>	<b>0</b>	<b>681</b>	

- 1.23 In order to help measure progress in achieving the above delivery, Peabody is contractually required under the AHGA to meet the following project waypoints:
- 255 affordable dwelling starts and zero affordable dwelling completions by 31 March 2018;
  - 556 affordable dwelling starts (cumulative total to include the starts at (a) above) and 289 affordable dwelling completions by 31 March 2021;
  - 1,141 affordable dwelling starts (cumulative total to include the starts at (b) above) and 887 affordable dwelling completions (cumulative total to include the completions at (b) above) by 31 March 2023;
- 1.24 Peabody will also be contractually required to have delivered all 1,272 affordable dwellings by 31 December 2024.

### **Changes since MD 1457**

- 1.25 There are a number of proposed changes to the site details and forecast completion dates since the original MD approval on 31 July 2015. This are as follows:
- 1.26 Boundary changes: Peabody has requested a change to the Housing Zone site boundary in RB Greenwich. The current boundary is shown in Appendix 1. The proposed revised boundary is shown in Appendix 2. The proposed change is to extend the boundary at site p1 to include the whole of the proposed Pettman Crescent site, Plumstead. This change has been agreed by RB Greenwich, to reflect this site now coming into the Housing Zone programme.
- 1.27 Phasing: Peabody have now allocated all the housing zone sites into three phases of schemes across both Boroughs, rather than separating the sites for each of the two housing zones as originally envisaged under MD1457. The forecast start and completion dates set out at paragraph 1.19 above are changes to the proposals set out in MD1457. Overall, however, the same number of units will still be delivered by 2025 and the amount of funding for the affordable housing interventions remains the same.

- 1.28 Accelerated delivery: The original MD approval set out that for Plumstead, the Housing Zone funding would allow accelerated delivery of 134 by 2019 and that in the first two years of the zone, 912 homes would be accelerated to deliver early starts on site. The approval for Thamesmead set out that the GLA support would accelerate delivery with 1,076 homes (including 591 affordable) starting on site by 2019. The current proposal is that only 468 homes start on site by March 2019 and only 55 will be completed by that date. This is a slowing down of some of the units in the early years compared to the original approval, to allow time for some unforeseen delays in early feasibility and to give time for adequate resident consultation. However, the overall completion dates are unchanged, and the housing zone is still therefore both accelerating and more importantly unlocking development in Thamesmead which would otherwise not happen.
- 1.29 The Housing Zones Programme has an agreed process for making changes to output profiles based on levels of changes (DD1485). In accordance with the Housing Zones Change Management Process, a request for these amendments was submitted to the Housing Zones Steering Group for consideration. It was agreed the change to the Housing Zone site boundary in RB Greenwich falls within a “Tier 3” pre-contract variation (Substantial changes) under the Change Management Process and the other changes fall within a “Tier 2” pre-contract variation (consequential variations).
- 1.30 The “Tier 2” variations require Housing Zones Steering Group review followed by agreement in principle by the Assistant Director – Programme Policy and Services, or in his/her absence a Head of Area other than the Head of Area in whose area the Greenwich and Bexley Housing Zones are situated, before being submitted for a Director Decision. The “Tier 3” variation to the site boundary requires Housing Zones Steering Group review and GLA Governance advice as to whether the variation may be approved by a Director Decision or whether a Mayoral Decision is required. GLA officers confirm that these processes have been followed.

### **Governance**

- 1.31 The Memorandum of Understanding dated 19 May 2016 between the GLA, Peabody, LB Bexley and RB Greenwich sets out the governance structure for the overall Thamesmead Housing Zones proposals. In addition, the AHGA has a specific clause and obligations in regards to monitoring and reporting.
- 1.32 The GLA will contract with Peabody Trust in respect of the affordable housing outputs and this relationship will be managed through quarterly meetings in order to ensure transparency and deliverability of the project. The relationship will be managed by a designated officer from the GLA’s Housing and Land Directorate with the oversight of the Housing and Land Senior Management Team.

### **Stakeholders / Contractual Arrangements**

- 1.33 Peabody Trust will enter into an AHGA with the GLA. Further, under a Memorandum of Understanding with Peabody, the Boroughs intend to honour a number of obligations aimed at facilitating the regeneration of Thamesmead, which includes a suite of planning Key Performance Indicators.

### **Conclusion**

- 1.34 In summary, the assessment undertaken by officers of the Housing and Land Directorate concludes that it is appropriate for the GLA to contractually commit affordable housing grant of £47,556,893 across both Boroughs, which includes moving £9,226,893 from the Building the Pipeline programme into the Housing Zone budget for use as affordable housing grant across the LB Bexley and RB Greenwich Housing Zones. Specifically:

- the total grant allocation across both Housing Zones is £47,556,893 (LB Bexley - £25,550,000 plus £9,226,893 and RB Greenwich - £12,775,000);
- delivery of 1,272 affordable homes by December 2024;
- project delivery within acceptable value for money, strategic fit and deliverability (including project milestone) parameters as outlined above.

## **2. Objective and expected outcomes**

- 2.1 The project will deliver a mixed use area regeneration of Thamesmead delivering 1,272 affordable homes by December 2024.
- 2.2 In LB Bexley, there will be demolitions of 202 existing affordable units (all social/affordable rent). The gross amount of units in LB Bexley is 591 and therefore the HZ is providing additionality of 389 net units. In RB Greenwich there are no demolitions.
- 2.3 It is also expected that Peabody and the Boroughs will significantly invest in local infrastructure improvements, complementing the GLA interventions for new homes. Physical infrastructure work will transform Harrow Manor Way into a new urban boulevard, strengthening the existing parade at Wilton Road and securing a more viable centre anchored by the new supermarket at Cross Quarter. A new linear park will create better connections from Harrow Manor Way at Southmere, offering new play space and other facilities. Through agreement with Peabody, LB Bexley will also secure additional social infrastructure in the form of support for the delivery of school places.

## **3. Equality comments**

- 3.1 The regeneration of Thamesmead is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an Integrated Impact Assessment (IIA), including an Equalities Impact Assessment, of that strategy. The policies related to increasing housing supply, to which the regeneration of Thamesmead will contribute, were covered by the IIA for the Further Alterations to the London Plan.
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.
- 3.3 The delivery of new and additional homes will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.
- 3.4 The designation of a Housing Zone within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.
- 3.5 In order to access this funding Peabody Trust will be required to enter into contract with the GLA to deliver these interventions. With regard to project delivery the contract places the following obligations on Peabody in respect of the Equality Act 2010:
  - Peabody shall comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters.
  - Peabody has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times and



will provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLA.

#### **4. Other considerations**

##### Key Risks and Issues

- 4.1 The first key risk is that the Peabody Board pull back from the project due to rising development costs after Peabody has drawn down grant but before affordable housing has been delivered. The GLA has the right to reclaim grant in this circumstance and to charge interest. Close monitoring will take place via the mechanisms set out in the AHGA and also the Governance Structure set out in the MoU between the GLA, Peabody and the Boroughs under which there will be regular meetings alongside site visits/close joint working with planning colleagues to ensure progress.
- 4.2 The second key risk is the leaseholder offer for those who need to be rehoused within the regeneration area and whether this enables residents to move on without reputational impact on the Mayor or causing undue delay to the project. Mitigation is by monitoring the agreed rehousing policy and progress on rehousing.
- 4.3 A third key issue, referred to in paragraph 1.9 above, is that although it is currently envisaged that the tenure apportionment of the 1,272 affordable homes to be delivered by Peabody will comprise 707 social/affordable rented units and 565 affordable home ownership units, this may change at Peabody's discretion and will only become fixed per scheme once that scheme is entered onto the GLA's on-line investment management system prior to start on site. It could therefore be the case that, of the 1,272 affordable units to be delivered under the AHGA, a significantly greater proportion of these units (up to 895 units) could become affordable home ownership units. Peabody require the flexibility to ensure viability and because parts of the Housing Zone are estate regeneration which requires flexibility over tenure mix so that residents can be decanted onto sites and offered a package so that they 'are no worse-off' through the development. There is strong Borough support from each side to ensure that the affordable targets are maintained and will be managed through their planning processes.
- 4.4 The GLA payment of grant is subject to the following conditions which have been introduced to mitigate the key risks and issues identified which may affect the delivery of the project:
- Project Waypoints (see paragraph 1.21 above) that may trigger termination if not met and the GLA determines (acting reasonably) that proper progress has not been made by Peabody in delivering the affordable housing outputs;
  - Other default points that can trigger termination include insolvency, not meeting open book obligations and failing to remedy such breach, Investment Partner status lost, and any other breach of the AHGA which has a material adverse effect in relation to the affordable housing outputs or a particular scheme.;
  - If a scheme does not progress after a pre-start on site payment has been made, then this money will be clawed back by the GLA.
- 4.5 It should be noted that the AHGA has been drafted on the general principle that each scheme within the project is to be considered on a standalone basis so a default on one scheme may not necessarily lead to termination of the whole project.

##### Links to Mayoral Strategies and Priorities

- 4.6 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver over 73,000 homes by 2026. The Thamesmead project will contribute towards this and support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.

## **5. Finance comments**

- 5.1 This DD takes forward the Housing Zones covering both Bexley and Greenwich. Peabody has decided not to take forward the financial transactions that were part of the initial project laid out in MD1457.
- 5.2 There was a financial transaction of £23,932,366 covering the Thamesmead project. This was broken down with £12,874,366 in Bexley and £11,058,000 in Greenwich.
- 5.3 In removing the financial transaction from the project this reduces the risk of any loss of funds to the GLA, taking into account that all funding is now Grant and if Peabody do not build the affordable properties that the grant relates to the GLA will be reimbursed the appropriate amount.
- 5.4 The £47,556,893 that this DD is requesting a commitment of is the agreed amount in MD1457. This amount is broken by £12,775,000 to be spent in Greenwich, £25,555,000 to be spent in Bexley and a transfer of an already approved £9,226,893 from the Building the Pipeline programme for Bexley.
- 5.5 The number of affordable units, being 1,272 is as agreed in MD1457.
- 5.6 There are several changes to the scheme since MD1457, these are:
- 5.7 Recycled Capital Grant Funds: in addition to the amounts approved in this Decision, it is proposed that the developer can approach the GLA to increase subsidy from recycled grant if the scheme were to become unviable in the future. Any agreement would be subject to scrutiny on value for money as part of the Housing Zone change process. A cap to this figure will be applied at the point at which we believe this scheme would become poor value for money for the public purse. This development is obviously a regeneration scheme therefore it would be expected that the scheme be expensive.
- 5.8 Conversion of units, as mentioned in section 1.16, up to 600 affordable dwellings will be converted, these are social rented dwellings, which will become affordable rent, shared ownership or sold on the open market, depending on scheme viability.
- 5.9 Demolition, within the scheme there is going to be a net loss of 229 units in Bexley, with no units lost in Greenwich. , As mentioned in 2.2, there will be a net additional 389 units in Bexley.
- 5.10 This project cannot at any value listed in the report be considered good value for money as a general development. It may however be considered fair value for money as a regeneration project, but taking into account an average grant rate per dwelling of £37,387 referred to in section 1.15, the 600 units loss referred to in section 1.16, the net loss of 229 units referred to in section 5.9, this project must be considered as high cost.
- 5.11 At a total amount of dwellings of 2,675 and an affordable number of 1,272, this amounts to 48% affordable close to the Mayors target of 50%, but the minimum amount of social/affordable rented dwellings as mentioned in para 1.9, is 207 (35%) for Bexley and 170 (25%) for Greenwich, this equates to, 377 dwellings, ie 14% of the scheme total.
- 5.12 The latest financial information that is generally available for Peabody Trust is that Moody's have downgraded their issuer rating from A2 to A3. This still leaves them with an A credit rating and in itself is not a concern. Moody's refer to the fact that they are about to embark on a large development programme which will increase their stock by 4,200 (15%) over 5 years. Although this review is negative, Moody's have given them an outlook of stable, which is good.

- 5.13 All housing associations have experienced a negative credit rating effect from the Governments policy on rent increases; therefore this change for Peabody Trust is not an area of concern.
- 5.14 Now that the Financial Transaction has not been entered into the GLA have no legal right to compel Peabody Trust to build the number of dwellings specified in the Memorandum Of Undertaking.
- 5.15 All finance comments are included in Part 1, of this DD as there is no reserved Part 2.

## 6. Legal comments

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the interventions described in this report providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2 The interventions will deliver affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD 1457. As is noted in paragraph 7.4 of MD1457, the London Housing Strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 6.4 The GLA has engaged with Peabody Trust in relation to the intervention which is the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.5 The GLA funding for this intervention is grant funding. It is not being provided on a commercial basis and is not therefore a specified activity under section 34A of the GLA Act that is required to be provided through GLA Land and Property Limited.
- 6.6 External lawyers have been instructed to prepare and negotiate the funding contract for the GLA.

## 7. Planned delivery approach and next steps

Activity	Timeline
Completion of Contracts	July 2016
Physical Start on site	March 2017
Practical Completion of development	December 2024

### Appendices and supporting papers:

- Appendix 1 - Current HZ Boundary  
Appendix 2 - Proposed HZ Boundary

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:****Is the publication of Part 1 of this approval to be deferred? Yes**

If YES, for what reason:

Publication to be deferred until the after all contracts have been let by NHHT for the delivery of Phase 1 start on site.

Until what date: 31 January 2017

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – No**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Katherine Talbot has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

Heather Juman has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

*M. J. Allge*

Date

*26.7.16*